PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION

P.E.I. No. 1 Kensington
P.E.I. No. 2 Roseneath
P.E.I. No. 3 Elmsdale

PRINCE EDWARD ISLAND

GRAIN ELEVATORS CORPORATION

Eleventh Annual Report

FOR THE FISCAL YEAR ENDED MARCH 31st

1988

KENSINGTON
PRINCE EDWARD ISLAND

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The HONOURABLE JOSEPH GHIZ

Minister of Agriculture

Province of Prince Edward Island

Dear Sir:

We, the Board of Directors and the Management of the Prince Edward Island Grain Elevators Corporation, have the honor of submitting herewith the Eleventh Annual Report of the Prince Edward Island Grain Elevators Corporation.

This report includes a brief summary of the operations and the audited financial statements of the Grain Elevators Corporation for the fiscal period April 1, 1987 ending March 31, 1988.

Respectfully submitted,

BOARD OF DIRECTORS

Prince Edward Island
Grain Elevators Corporation

ELEVENTH ANNUAL REPORT

OF

THE PRINCE EDWARD ISLAND GRAIN

ELEVATORS CORPORATION

For the fiscal period April 1, 1987 ending March 31, 1988

BOARD OF DIRECTORS

Allison McNally	President
Harold Cairns	Vice-President
Clayton Bulpitt	Secretary-Treasurer
Earle Clark	Director
Leonard McCardle	Director
George Demeulenaere	Director
Gerald MacIsaac	Director
Jim Whalen	Special Advisor

HEAD OFFICE STAFF

Patrick Gaudet	Executive General Manager
Debra Montgomery	Administrative Officer
Barbara Johnstone	Accounting Technician
Shirley Ramsay	Part-time Clerk

ELEVATOR OPERATIONS STAFF

No. 1 Elevator - Kensington, P.E.I.

Clive Drummond	Manager
Kenneth McCarville	Assistant Manager
Andy Gauthier	Elevator Worker/Operator

No. 2 Elevator - Roseneath, P.E.I.

J. Ronald Somers	Manager
Bill McGuigan	Elevator Worker/Operator

No. 3 Elevator - Elmsdale, P.E.I.

Donald McCarthy ..... Manager
Edmond Gaudet ..... Elevator Worker

The Prince Edward Island Grain Elevators Corporation is a Crown Corporation of the Province of Prince Edward Island under the authority of the Minister of Agriculture.

The Prince Edward Island Grain Elevator Corporation was established under Bill No. 49, the 4th Session, 43rd General Assembly; 26 Elizabeth 11, 1977.

OBJECTIVE OF THE CORPORATION

The objective of the Corporation is to stimulate local feed grain production and to bring uniformity to the industry through marketing of local grain on Prince Edward Island and throughout the Atlantic Provinces.

The Prince Edward Island Grain Elevators Corporation provides a central marketing, drying, storage and distribution outlet to the grain producer, livestock feeder and the feed industry.

FINANCIAL PARTICIPATION

The Prince Edward Island Government provides funding to purchase grain and funds for the Corporation's operating costs. These funds are returned to the Provincial Treasury from the sale of grain and services provided by the Corporation through drying charges, handling and elevator charges, storage and interest charges.

1987-88 CROP YEAR CONDITIONS

An excellent growing season; the grain coming into the elevators was of good quality. This was the fourth year for the protein bonus plan. The total bonus paid to producers on 6758.000 m.t. was $47,315. This was cost shared between the corporation and the provincial government 50/50.

NUMBER OF PRODUCERS AND USERS OF GRAIN

This report covers the period April 1, 1987 to March 31, 1988, which was the eleventh year of operation of the Prince Edward Island Grain Elevators Corporation, the fifteenth year for the Kensington Grain Elevator, the eleventh year for the Roseneath Grain Elevator, and the tenth year for the Elmsdale Grain Elevator.

The following is a breakdown of buyers and sellers who are using the grain elevator system:

Kensington (No. 1): There were approximately 150 buyers of grains. There were approximately 220 cheques issued to Island grain producers for a total of $671,985.

Roseneath (No. 2): There were approximately 75 buyers of grains. There were approximately 100 cheques issued to Island grain producers for a total of $353,525.

Elmsdale (No. 3): There were approximately 50 buyers of grains. There were approximately 165 cheques issued to Island grain producers for a total of $381,560.

The average price paid to the Island grain producer was as follows:

Barley	- $ 90.00 m.t.
Oats	- $ 91.00 m.t.
Wheat	- $102.00 m.t.

The average price paid for Western grains and Ontario Corn was as follows:

Corn	- $105.39 m.t.
Soybean	- $378.99 m.t.

VOLUME OF HANDLINGS AT EACH ELEVATOR

	Metric Tonnes	
Island Wheat purchased		
Kensington No. 1	447.106	
Roseneath No. 2	948.203	
Elmsdale No. 3	5.219	
Total Wheat purchased		1400.528
Hulless Oats purchased		
Roseneath No. 2	229.520	
Total		229.520
Island Oats purchased		
Kensington No. 1	831.926	
Roseneath No. 2	186.152	
Elmsdale No. 3	776.582	
Total		1794.660
Total Oats purchased		2024.180
Island Barley purchased		
Kensington No. 1	6129.806	
Roseneath No. 2	1855.784	
Elmsdale No. 3	3497.367	
Total Barley purchased		11482.957

	Metric Tonnes	
Ontario Corn purchased		
Kensington No. 1	1189.653	
Roseneath No. 2	51.462	
Elmsdale No. 3	-	
Total Corn purchased		1241.115
Soybean Meal purchased		
Kensington No. 1	1082.942	
Soybeans puchased		
Roseneath No. 2	178.118	

As well as purchasing grain from farmers, each elevator also receives grain to dry and store. These volumes are as follows:

	Metric Tonnes	
Kensington No. 1		
Barley	178.726	
Oats	21.863	
Total		200.589
Roseneath No. 2		
Barley	145.071	
Wheat	381.777	
Total		526.848

The Roseneath Grain Elevator also dried, cleaned, graded and shipped approximately 1000 metric tonnes of milling wheat.

VOLUME OF SALES AT EACH ELEVATOR

	Metric Tonnes	
Island Wheat sold		
Kensington No. 1	1175.484	
Roseneath No. 2	988.721	
Elmsdale No. 3	22.194	
Total		2186.399
Island Oats sold		
Kensington No. 1	1946.126	
Roseneath No. 2	595.396	
Elmsdale No. 3	875.847	
Total		3417.369
Hulless Oats sold		
Roseneath No. 2	86.070	
Total Oats sold		3503.439
Island Barley sold		
Kensington No. 1	8571.701	
Roseneath No. 2	2622.824	
Elmsdale No. 3	2359.145	
Total		13553.670
Western Barley sold		
Kensington No. 1	6.990	
Roseneath No. 2	-	
Elmsdale No. 3	-	
Total Barley sold		13560.660

Metric Tonnes

Ontario Corn sold

Kensington No. 1	1030.266	
Roseneath No. 2	91.458	
Elmsdale No. 3	96.878	
Total Corn sold		1218.602

Soybean sold

Kensington No. 1	728.365	
Roseneath No. 2	123.865	
Elmsdale No. 3	176.787	
Total Soybean sold		1029.017

Soybeans sold

Roseneath No. 2	152.821

Total Grain sold - by elevator

Kensington No. 1	13458.932
Roseneath No. 2	4661.155
Elmsdale No. 3	3530.851

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

AUDITOR'S REPORT

To the Board of Directors of the
Prince Edward Island Grain Elevators Corporation

I have examined the balance sheet of the Prince Edward Island Grain Elevators Corporation as at March 31, 1988 and the statement of income and retained earnings for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

J. WAYNE MURPHY, C.A.

Auditor General

Charlottetown, Prince Edward Island
June 28, 1988

STATEMENT 1

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION
BALANCE SHEET
AS AT MARCH 31, 1988
(with figures at March 31, 1987)

ASSETS

	1988	1987
CURRENT ASSETS		
Cash	$ 7,203	$ 54,420
Accounts Receivable – Note 2	762,674	642,149
Prepaid Expenses	304	13,540
Inventory of Grain	588,413	1,011,329
Deposit on Hedge Contracts – Note 7	36,150	–
	1,394,744	1,721,438
FIXED ASSETS		
Equipment – Note 3	55,500	73,500
Property under Capital Lease – Note 4	–	388,468
	$1,450,244	$2,183,406

LIABILITIES AND EQUITY

CURRENT LIABILITIES		
Accounts Payable	$ 28,784	$ 25,796
Current Portion of Obligation under Capital Lease – Note 4	–	41,816
Allowance for Contingent Loss – Note 5	49,732	49,732
Due to Province of Prince Edward Island	1,028,728	1,389,046
	1,107,244	1,506,390
LONG TERM LIABILITIES		
Obligation under Capital Leave – Note 4	–	391,681
EQUITY		
Retained Earnings	–	(57,665)
Contribution by the Province of Prince Edward Island	343,000	343,000
	343,000	285,335
	$1,450,244	$2,183,406

(Notes 1 to 7 are an integral part of these financial statements)

STATEMENT 2

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 1988
(with figures for the eight month period ended March 31, 1987)

	1988		1987 (8 months)	
SALES		$2,672,128		$1,849,136
COST OF SALES				
Inventory, Beginning of Year	$1,011,329		$ 605,199	
Purchases	1,960,570		2,268,626	
Freight	62,402		45,254	
Cost of Goods Available for Sale	3,034,301		2,919,079	
Inventory, End of Year	588,413	2,445,888	1,011,329	1,907,750
GROSS PROFIT ON SALES		226,240		(58,614)
OTHER INCOME - Note 6		283,251		198,098
		509,491		139,484
EXPENSES				
Salaries and Benefits	394,767		192,862	
Interest - Short Term	134,736		92,552	
Power, Light and Water	57,197		59,328	
Capital Lease - Amortization	37,921		25,280	
Capital Lease - Interest	37,820		25,923	
Repairs and Maintenance	37,679		22,403	
Insurance	32,249		26,201	
Truck	19,020		13,661	
Depreciation	18,000		12,000	
Office	17,110		15,206	
Honorariums	16,569		6,660	
Bad Debt	14,979		6,910	
Protein Bonus	14,286		24,127	
Travel	11,693		4,564	
Telephone and Telegraph	10,267		6,012	
Professional Services	8,486		2,984	
Advertising	5,301		1,643	
Miscellaneous	5,186		4,072	
Household and Clothing	4,712		4,051	
Field Supplies and Equipment	62	878,040	2,172	548,611
INCOME (LOSS) ON OPERATIONS		(368,549)		(409,127)
Gain on write-off of lease - Note 4		41,135		-
		(327,414)		(409,127)
Appropriations - For Current Year's Deficit		327,414		351,462
- For Prior Year's Deficits		57,665		-
INCOME (LOSS) FOR THE PERIOD		57,665		(57,665)
RETAINED EARNINGS, Beginning of Year		(57,665)		-
RETAINED EARNINGS, End of Year	$	-	$	(57,665)

(Notes 1 to 7 are an integral part of these financial statements.)

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988

1. Summary of Significant Accounting Policies:

   (a) Specific accounts which have been deemed doubtful have been included in the Allowance for Doubtful Accounts. In addition, 1 percent of the remaining accounts are included in the allowance.

   (b) Inventory is valued at the lower of first-in, first-out cost and replacement value.

   (c) Asset purchases less than $5,000 are expensed in the period of purchase.

   (d) Depreciation is calculated on a straight-line basis over the estimated useful life of the asset.

   (e) Property under Capital Lease is amortized on a straight-line basis over the term of the lease.

2.

	1988	1987
Accounts Receivable - Trade	$334,212	$256,675
Less: Allowance for Doubtful Accounts	27,550	13,021
	306,662	243,654
Accounts Receivable - Special Bin	389,109	380,021
- Freight Allowance	44,342	16,674
- Other	22,561	1,800
	$762,674	$642,149

3.

	1988	1987
Fixed Assets		
Equipment (cost)	$119,443	$119,443
Less: Accumulated Depreciation	63,943	45,943
	$ 55,500	$ 73,500

4. Effective March 31, 1988, the Province of Prince Edward Island has forgiven the Obligation under Capital Lease. As a result, we have reduced the cost of the Property under the Capital Lease to zero and have written off the Obligation. A gain of $41,135 has been recognized in income. This represents the difference in net book values of Property under Capital Lease and the Obligation under Capital Lease prior to the write.off.

5. Contingent Liabilities: In 1978 an account receivable of $89,000 was assigned to the Prince Edward Island Lending Authority. The Corporation has guaranteed repayment to the Authority. A likely loss of $49,732 on this account has been charged to income since 1978.

6.

	1988	1987
Other Income		
Handling and Drying	$ 44,935	$ 72,997
Storage Fees	7,776	2,582
Service Charges	-	12,391
Miscellaneous	46,511	14,846
Hedging Income	(5,849)	-
Feed Freight Assistance	189,878	95,282
	$283,251	$198,098

7. At March 31, 1988 the Grain Elevator Corporation had a deposit with their brokers of $36,150 relating to barley futures contracts totalling $230,000. The following futures contracts were held by the Corporation at March 31, 1988:

- A contract to sell 2000 tons of barley in May at $75.20.
- A contract to sell 1000 tons of barley in October at $79.60.